
From: Jacob Cook [mailto:jcook@CASECU.org]
Sent: Monday, June 23, 2008 11:34 AM
To: _Regulatory Comments
Subject: FW: Comments on proposed MBL rules

Ms. Rupp,

We appreciate the opportunity to comment on the proposed MBL regulations. We would like to ask that you consider an additional topic - prepayment penalties.

NCUA 701.21(6) states: Early payment. A member may repay a loan, or outstanding balance on a line of credit, prior to maturity in whole or in part on any business day without penalty.

I spoke with Frank Kressman of the Office of the General Counsel . He confirmed that the above rule applies to member business loans, unless the loan is guaranteed by the SBA.

If member business loans are done correctly, there is typically extensive underwriting performed prior to approval. The underwriting has considerable cost, mainly in employee time. It is difficult to remain competitive in the market and charge an application fee or some other form of up-front fee. However, if the borrower decides to refinance or prepay the loan within the first few years, the credit union typically will not have earned enough interest to generate a return on the costs they put into the underwriting.

Charging a prepayment fee is typical for business loans. We ask that you consider allowing credit unions to charge prepayment fees on member business loans as part of your review of Part 723.

Thank you,

Jacob Cook
Executive Vice President
CASE Credit Union
4316 S. Pennsylvania
Lansing, MI 48910
(517) 393-7710 ext. 1054